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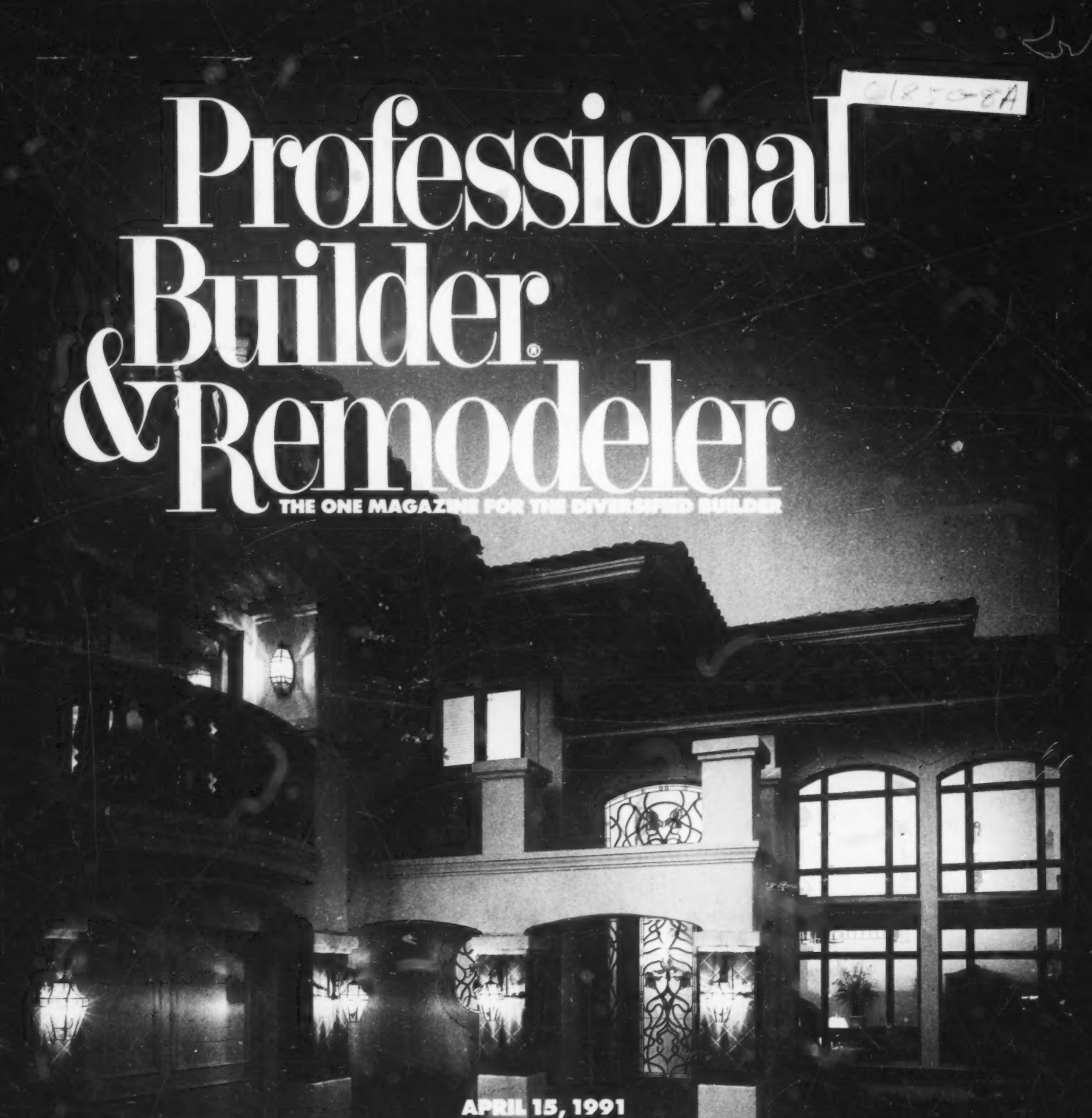

APRIL 15, 1991

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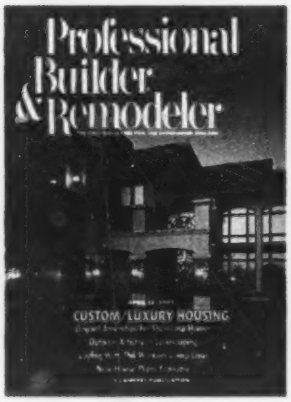
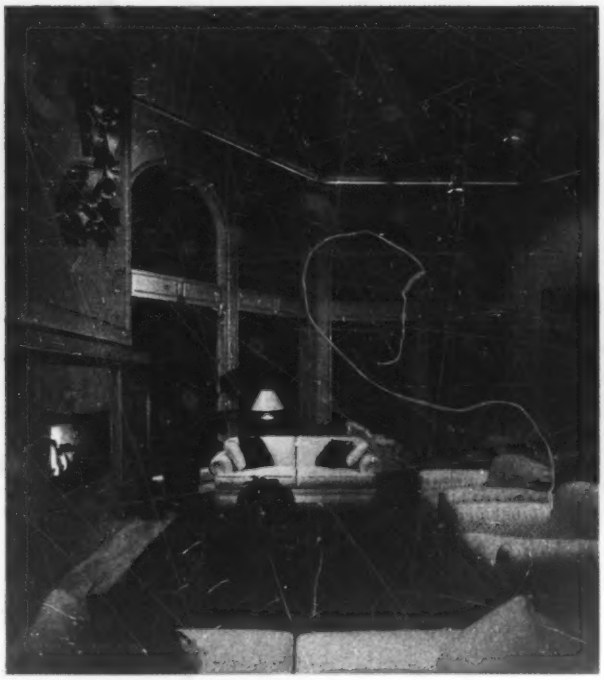


On The Cover

■ Robert Leclercq Jr. of RFL Development built this 4441-square-foot custom "tour de force" in Ritz Cove, Laguna Niguel, Calif. The exterior facade is a balanced mix of stucco, terra-cotta roof tile, wall tiles, wood, cast stone and glass. The home was designed by Knitter & Associates, with decorating completed by Thomas Neuser Interiors. Photography by Larry A. Falke Photography.



Luxury touches for custom creations: p. 60.

Landscaping techniques: p. 78.

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The Midas Touch 60

Distinctive "extras" in custom homes, ranging from specialty rooms and upscale detailing to select lot amenities, can be the elements that spell success in the luxury market.

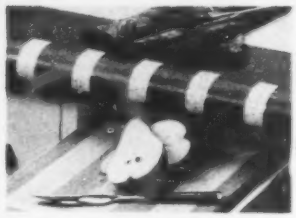
Outdoor Artistry 78

From coast to coast, builders are enhancing exteriors by shaping nature to its best advantage. Here's a look at some of the industry's top land- and waterscaping amenities.

What's New In Home Automation 84

Integrated home-automation systems, merging computer technology and touch-screen access to control a home's utilities, are being successfully used in both new and remodeled homes.

Upscale products for high-end homes: p. 100.



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Business

■ Efforts are underway to reform the workers compensation system. The focus is on the definition of "independent" contractor and how that relates to responsibility for premium payments: *p. 12.* Washington insiders say the Gulf War threatens tax revisions: *p. 16.* Revised FHA rules seem to signal a diminished future role for the agency in nation's housing markets: *p. 20.* RTC has announced a new "affordable" housing program: *p. 24.*

Markets

■ The Rokko Demonstration House enabled American architects and designers to bring Western-style housing to Japan: *p. 31.* The 1989 Model Energy Code has been found to be the most efficient: *p. 36.*

Marketing

■ The Rochester, N.Y.-based Better Contractors Bureau has a two-fold mission: protect the consumer and upgrade the image of remodelers: *p. 43.*

Technology

■ A test program of lead-paint abatement techniques has found that the average cost for treatment is $14,500 per home. Some experts fear the problem will be more difficult to clear than asbestos in housing: *p. 93.* A new wireless technology has been introduced, to link home-automation products: *p. 96.*

RIII

THE NATIONAL EXPOSITION OF REMODELING, RENOVATION & RESTORATION

8, 9, 10 NOVEMBER 1991

NEWSLETTER

Market Trends & Diversification Tips

Building System Eases Renovation

A pre-engineered post-and-beam system lowered on-site costs and speeded up the renovation of the Furniture Barn, a retail store in Connecticut.

Habitat/American Barn of South Deerfield, Mass., provided the materials to add a second floor to the existing structure.

"The store's owners needed more space and wanted the new design to resemble a barn—very open on the inside," says Steve Worth of Habitat.

Rovinelli & Digioia added a second story to this facility in five months, using a pre-engineered post-and-beam system.

Architect David B. Yager & Associates, Cheshire, Conn., designed a heavy timber truss for the roof system.

Builder Rovinelli & Digioia of Milford, Conn., added a second story of roughly 6500 square feet.

The renovation took five months; hard construction costs, less building package, were $475,000. □

Census Confirms Diversity In Construction

Market conditions dictate construction activity, and as the decade moves on, growth will escalate in remodeling. If the U.S. Census data is a measure, builders agree.

The latest U.S. Census of Construction, conducted in 1987 and released in 1990, reports more than 70% of the 157,638 residential and non-residential builders either specialize in remodeling or specify that remodeling is an important aspect of their overall business.

The growth in remodeling activity shown by the census figures mirror data accumulated by *PB&R*. In 1970, readers of *Professional Builder* reported activity in 1.1 types of construction. In 1980, readers reported activity in two types of construction, and in 1990, *PB&R* readers reported activity in 2.9 different types of construction.

The breakdown of construction activity by *PB&R*'s readers, based on qualification cards:

- 76% in single-family home construction;
- 65% in remodeling;
- 48% in custom housing; and
- 40% in non-residential construction.

At some point this decade, remodeling expenditures will outpace new construction dollars for the first time. Indeed, diversification is the wave of the future. □

Building Firms Active In Remodeling

According to the 1987 Census of Construction, released in 1990, more than 70% of the 157,638 residential and non-residential building firms either specialize in remodeling or worked in remodeling.

Type of Firm	Building Activity			
	New const. only	Remodel only	Both new & remodel	Total firms
General contractor, single family	20,141	30,123	40,114	90,378
General contractor, multifamily	2138	3053	2939	8140
Operative builders	15,201	217	5342	20,760
All residential	38,414	37,782	48,082	119,287
Industrial & Warehouse builders	1712	1113	4189	7014
Other non-res builders	5521	7442	18,374	31,337
All non-residential	7264	8540	22,565	38,351

National Trust To Sponsor Special Programs At RIII

The National Trust for Historic Preservation will be an honorary sponsor of RIII special restoration events.

Concurrent with RIII and at McCormick Place, the National Trust will offer a series of educational programs covering a wide spectrum of restoration topics for builders and remodelers, architects and designers.

In addition, the Trust's annual "Great American Home" award will be presented at a special ceremony during RIII. The "Great American Home" program is a national competition giving special recognition to individuals for restoration of significant American homes.

The National Trust for Historic Preservation, leader of America's historic preservation movement in the private sector, is a non-profit membership organization chartered by the U.S. Congress in 1949. It has over 225,000 individual and 3000 organizational members. □

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PROFESSIONAL BUILDER & REMODELER (ISSN-1053-6353) (GST -123397457) Vol. 56, No. 7 is published monthly, except in January, February, April, May, August, and September, when two issues are published, by The Cahners Publishing Company (subscription includes all issues). Cahners Publishing Company is a Division of Reed Publishing USA, 275 Washington St., Newton, MA 02158-1630. Terrence M. McDermott, President; Frank J. Sibley, Executive Vice President; Charles E. Moodhe, Senior Vice President/General Manager; Jerry D. Neth, Senior Vice President/Publishing Operations; J.J. Walsh, Financial Senior Vice President/Magazine Division; Thomas J. Dellamaria, Senior Vice President/Production and Manufacturing; Ralph Knupp, Vice President/Human Resources. Circulation records are maintained at Cahners Publishing Company, 44 Cook St., Denver, CO 80206-5800. Phone: 303/388-4511. Second-class postage paid at Denver, CO 80206-5800 and additional mailing offices. Postmaster: Send address corrections to PROFESSIONAL BUILDER & REMODELER P.O. Box 173377, Denver, CO 80217-3377. PROFESSIONAL BUILDER & REMODELER copyright 1991 by Reed Publishing USA; Ronald G. Segel, Chairman and Chief Executive Officer; Robert L. Krakoff, President and Chief Operating Officer; William M. Platt, Sr. Vice President. Annual subscription rates for non-qualified people: USA, one year $139.95, two years $229.95; Canada/Mexico, one year $179.95, two years $299.95; other countries, one year $195.95, two years $325.95. There will be a surcharge for Air Mail of $100 on one-year rates and a $200 surcharge on two-year rates. Single copies are available for $20 (USA, Canada/Mexico and foreign). January 15 issue is available for $25 (USA, Canada/Mexico and foreign). Please address all subscription mail to Phil Claiborne, 44 Cook St., Denver, CO 80206. Address editorial and other mail to PROFESSIONAL BUILDER & REMODELER, Cahners Plaza, 1350 E. Touhy Ave., Des Plaines, IL 60018-3358. REPRINTS of articles are available in quantities of 500 or more. For a specific quotation, contact Katie Pyziak, Manager, Marketing Services, 1350 E. Touhy Ave., Des Plaines, IL 60017-5080; phone, 708/635-8800. PROFESSIONAL BUILDER & REMODELER, PROFESSIONAL BUILDER and ANNUAL REPORT OF HOUSING'S GIANTS are trademarks of Reed Properties Inc., used under license.

INDICATORS

Summing Up The Sad State Of 1990s Housing Market

1990 marked fourth consecutive down year after 1986 peak of 1.81 million new units.

Conditions in the residential building market went from bad to worse over the course of the final quarter of 1990. Continued consumer apprehension about the war in the Persian Gulf and the weak state of the U.S. economy drove the market even lower during the first two months of 1991. Fortunately, there is every reason to believe that the beleaguered housing industry has seen the worst of this cycle and that better—albeit only modestly better—days are just ahead.

Some final numbers for 1990 tell the whole sad story about the last year's housing market. The total value of new (excluding remodeling) residential construction put-in-place last year was down 6.7% from the none-too-vigorous rate of a year earlier. Spending for new single-family home development was off 5.3% from the 1989 rate—the first annual decline in eight years. New construction spending in the long-suffering multifamily sector was off for the fourth consecutive year, declining by 20% during 1990.

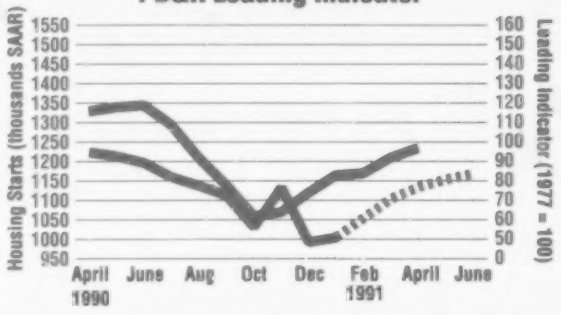
The total number of new housing units started was down considerably more than the current dollar spending levels. For the year, 10.8% fewer new single-family homes were started, while 20% fewer new units were started in multifamily buildings. A total of just over 1.19 million housing units of all types were started during 1990, a drop of 13.3% from the weak 1989 total—the fourth consecutive down year following the 1980s peak of 1.81 million new units recorded during 1986. □

Forecast Leans Toward Slow Climb

We have revised our housing starts forecast slightly downward in recognition of the depths to which the market sank during 1990 and the extremely bad first few months of 1991.

However, low mortgage interest rates, soft home prices and improving consumer confidence—all combined with easing of credit constraints—will fuel a recovery in home building. The momentum achieved in late 1991 should carry forward into 1992. □

PB&R Leading Indicator



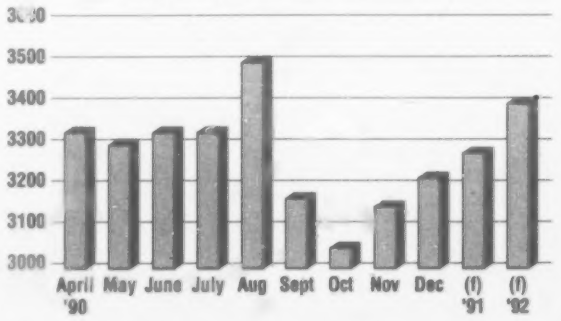
Broken line denotes forecast. Leading indicator of housing predicts short-term changes in residential construction over approximately the next quarter. Latest figure is based on April data and includes the Standard and Poor's h-b stock index, 90 day T-bills, bank reserves, consumer confidence index and the ratio of homes for sale to those sold. Prepared exclusively for PB&R by Cahners Economics.

Regional Market Conditions
(Year-To-Date Trends)

	S-F Home Permit $	Average S-F Permit Value	Remodeling Permit $	Employment Change
Providence	-13.1%	$85,637	-1[illegible]%	-0.8%
Buffalo	-11.9%	$111,544	+18.4%	+0.8%
Washington, D.C.	-24.6%	$53,304	-5.5%	-0.1%
Birmingham	+1.7%	$87,015	-5.8%	+1.8%
Little Rock	+11.0%	$81,848	-5.7%	+1.5%
Indianapolis	+2.1%	$109,327	+7.6%	+1.0%
Des Moines	+19.0%	$90,943	+49.1%	+0.7%
Albuquerque	-8.6%	$91,923	-3[illegible]%	+0.4%
Portland, Ore.	+25.3%	$1109,235	+40.1%	+3.0%

Source: U.S. Departments of Commerce and Labor

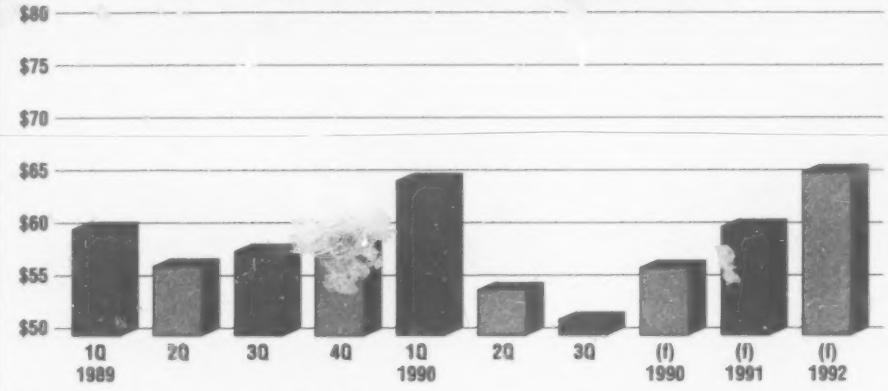
Existing Single-Family Home Sales



Data reflect seasonally adjusted annual rates, in thousands.
Source: National Association of Realtors. Forecast by Cahners Economics.

INDICATORS

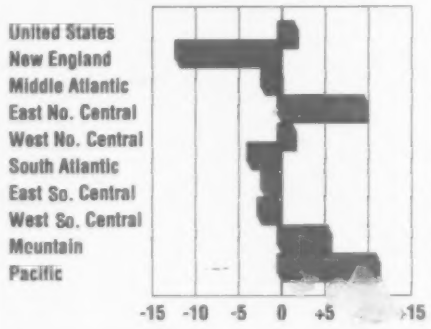
Consumer Spending On Remodeling/Improvements



Data reflect seasonally adjusted annual rates, in billions of $.
Source: U.S. Department of Commerce. Forecast by Cahners Economics.

Remodeling Permit Value Trends

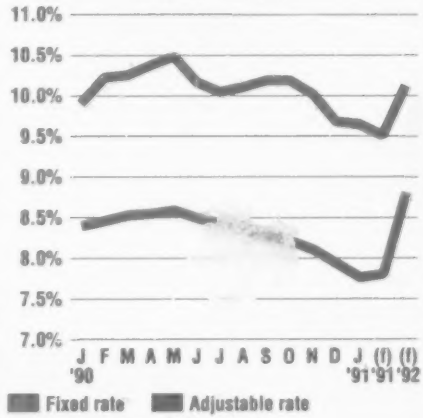
(Full-Year 1990 vs. 1989)



Source: U.S. Department of Commerce.

Mortgage Interest Rates

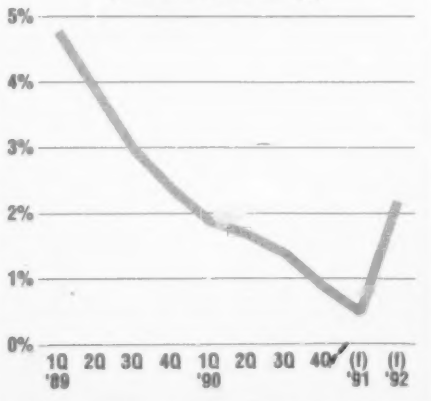
(Monthly Average)



Source: Federal Home Loan Mortgage Corp.
Forecast by Cahners Economics

Growth In Real Disposable Personal Income

(Over-The-Year % Change)



Source: U.S. Department of Commerce. Forecast by Cahners Economics.

Key Trends At A Glance

	Dec 1990	April 1990
Total housing starts*	987	1216
New home sales*	463	533
Remodeling permit trend	+1.9%	+3.4%
Consumer confidence index**	61.2	107.3
Median price of new home***	$133.	$130.
Fixed-rate mortgages	9.67%	10.37%
Construction wage trend	+1.5%	+2.8%

* Seasonally adjusted annual rate in thousands.
** 1985 = 100.
*** In thousands.

Uncertainty, War, Lack Of Confidence Breed Low Numbers

Housing starts declined for the eleventh time in the last twelve months during January. The startlingly low rate of 850,000 units was the lowest recorded since February 1982. The numbers reflect the intractable twin problems faced by builders—low consumer demand and financial constraints to development.

The latest starts report showed problems in single-family construction deepening, while multifamily activity showed signs of bottoming out. The uncertainty surrounding the length and nature of the Persian Gulf War clearly had a profound impact on businesses and consumers alike. Consequently, the bad numbers recorded during the past months are not accurate indicators of where we are likely headed.

All regions of the country recorded declines in units started last year. The Northeast saw the largest drop, with construction starting on 26.6% fewer units. Residential construction markets in the West weakened markedly, and starts ended the year 16.9% below the 1989 level. The South recorded a drop of 10.5%, while the Midwest saw a 4.7% decline.

Building permit data shows two subregions where residential permit values actually increased last year—in the face of a national average decline of 14.1%. Permitted construction values increased by 8.9% in the "Oil Patch" states and by 8.4% in the Rocky Mountain states. □